

**Follow-Up Audit
Neighborhood Tourist Development Fund**

March 1999

City Auditor's Office

City of Kansas City, Missouri

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Honorable Mayor and Members of the City Council:

This follow-up audit of the neighborhood tourist development fund (NTDF) was initiated in accordance with the City Auditor's Office policy of assessing the implementation of audit recommendations.

Our 1992 report, *Contract Compliance Audit: Clay-Platte Baseball League*, focused on a single NTDF project to assess controls over the NTDF fund itself. We found that oversight by city staff was insufficient. Unauthorized expenses had been reimbursed and contract terms were not enforced. Our follow-up determined that staff has undertaken efforts to improve oversight. Sample documents have been developed, files show evidence of monitoring efforts, and rules for review are being developed through the efforts of staff and NTDF committee members.

Despite the changes, however, we found that the program remains susceptible to waste and abuse because of control weaknesses. The city code established a committee to evaluate applications and make recommendations for funding by the City Council. We found that the committee process is sometimes bypassed. Agencies have obtained NTDF funding by making requests directly to elected officials without following the application process established in the code.

The inconsistent use of the code-established process jeopardizes the program's integrity and makes elected officials targets of those who would attempt to obtain city funds without following procedures. One means of strengthening controls is by eliminating the allocation of NTDF funds by council district. Appropriating money on a citywide basis would reduce the inclination on the part of some elected officials and applicants to view the money as under the control of individual elected officials and would eliminate the appearance that officials can be pressured. The City Council has made great progress recently in scrutinizing its activities to uncover—and rectify—areas in which its members are vulnerable. Strengthening controls over the NTDF program will provide the city with additional controls over the expenditure of city money.

We also found administrative problems with the contract files we reviewed. The fund's purpose, project guidelines, and selection criteria are unclear. Code and contract requirements have not been enforced, documentation supplied by contracting agencies was inadequate or incorrect, and some expenses are inappropriately reimbursed. The nature of the current NTDF program—funding a large number of unique, transient events on a council-district basis—makes adequate administration and monitoring of the program difficult and costly. We make a number of recommendations designed to further improve controls over the program.

The draft follow-up report was sent to the city manager and the director of the Neighborhood and Community Services Department on February 12, 1999. Their responses are included as appendices. We appreciate the courtesy and cooperation extended to us during this project by staff of the Neighborhood and Community Services Department and members of the NTDF committee. The audit team for this project included Nancy Hunt, Edina Maltbia, Chanel Goodwin-Watkins, and Douglas Jones.

A handwritten signature in black ink, appearing to read 'Mark Funkhouser', is written over a horizontal line.

Mark Funkhouser
City Auditor

Follow-Up Audit: Neighborhood Tourist Development Fund

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Introduction

Objectives

This follow-up audit of the neighborhood tourist development fund (NTDF) was conducted pursuant to Article II, Section 13 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit is an objective, systematic examination of evidence to independently assess the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making.¹ A follow-up audit is an examination to determine whether an agency has taken timely and appropriate corrective actions in response to the problems identified and recommendations made in a previous audit.

This follow-up audit was designed to answer the following questions:

- To what extent have recommendations from the October 1992 audit related to NTDF program administration and monitoring been implemented?
- Have implemented recommendations resulted in desired improvements?
- Where recommendations have not been implemented, do conditions warrant that the original recommendations be implemented, changed, or withdrawn?

Scope and Methodology

This follow-up audit was not designed or intended to be another full-scale audit of the Clay-Platte Baseball League contract. Instead, it was designed to determine the progress made by the Neighborhood and Community Services Department in implementing recommendations related to

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington: U.S. Government Printing Office, 1994), p. 14.

management controls over the neighborhood tourist development fund (NTDF) program. The audit was performed in accordance with generally accepted government auditing standards, with the exception of the completion of an external quality control review of the office within the last three years.² Audit methods included the following:

- Reviewing state and city legislation relevant to the NTDF program.
- Reviewing prior audit work and a subsequent Audit Report Tracking System report.
- Interviewing Neighborhood and Community Services Department staff responsible for administering the NTDF program and members of the NTDF Committee.
- Examining Neighborhood and Community Services Department procedures and documents related to the NTDF program.
- Examining city records related to the NTDF program.
- Attending NTDF Committee meetings and NTDF sponsored events.

No information was omitted from this report because it was deemed privileged or confidential.

Background

Legislative Authority

In 1989, the state legislature enacted guidelines for the establishment of a convention and tourism tax, convention and tourism fund, and neighborhood tourist development fund (NTDF).³ State statute requires that no less than 10 percent of the proceeds from hotel/motel taxes be allocated to the NTDF. The law also set the maximum allowable tax rate and defined the types of organizations and facilities that may be funded through this tax.

Kansas City voters approved the convention and tourism tax on February 6, 1990. The tax is collected from two sources: hotel/motel room charges and sales of food by restaurants and similar businesses. The amount of tax for hotel, motel or tourist courts can not exceed 5 1/2 percent of the amount of sales or charges for sleeping rooms paid by guests. Persons operating a food establishment pay the tax based on gross receipts of retail food sales; the tax rate may not exceed 1 3/4 percent. These taxes are currently collected at the maximum allowable rate. All revenues from these taxes are deposited into the convention and

² The last review was performed in April 1995. A peer review is planned for the current year.

³ RSMo Sections 92.325 through 92.340.

tourism fund. The NTDF receives, by state statute, no less than 10 percent of the hotel/motel tax. The cost of administering this program is not recoverable from NTDF tax revenues.

The Kansas City Code establishes the plan for administering the NTDF including direction on selecting, administering, and monitoring NTDF funded projects.⁴ Administrative Regulation (AR) 3-15 also provides guidance for contracting with non-municipal agencies.⁵

Committee composition. The code established an NTDF committee “to review proposals and make recommendations to the council on the disbursement of funds.” The committee consists of 15 members. Each councilmember may appoint a representative.⁶ The mayor appoints three representatives. One represents the community at large, and two represent the convention and tourism industry. One of these representatives must be affiliated with a major tourist attraction and one with the hotel industry. (See Appendix A.) Members of the committee must be residents of Kansas City, Missouri. Council representatives are appointed to serve for one- and two-year terms, while citywide representatives serve three-year terms.

The committee meets as often as necessary to review funding proposals, and makes annual and quarterly recommendations. Neighborhood and Community Services Department staff provides support by assisting the committee, and administering and monitoring all projects funded.

Funding

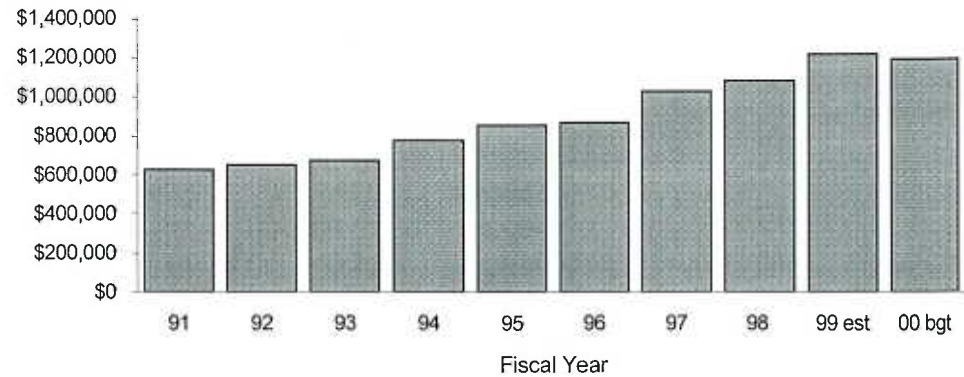
NTDF revenue increased by 90 percent between fiscal years 1991 and 2000, from \$628,000 to an anticipated \$1,196,000. (See Exhibit 1.) The number of funded projects has also increased. In fiscal year 1992, about 68 NTDF proposals were submitted for review, with 43 approved. The initial annual application cycle for fiscal year 2000 included 93 applications, 78 of which were considered by the committee.

⁴ Code of Ordinances, Kansas City, Missouri, Sections 2-931 through 2-939.

⁵ Section 2-933(3) of the Code of Ordinances references AR 3-30 which changed to AR 3-15 due to re-numbering of the ARs.

⁶ As a result of the August 1998 charter change election, effective April 10, 1999, the mayor appoints all members of boards and commissions unless otherwise provided by the charter or statutes of Missouri. The two exceptions to the new rule are the NTDF and the Public Improvements Advisory Committee (PIAC).

Exhibit 1. NTDF Revenues Fiscal Years 1991 through 2000



Sources: Adopted Budgets 1993 through 1999 and Submitted Budget 2000.

Originally, available NTDF monies were divided into seven equal shares; six divided equally among council districts and one reserved for tourism events spanning district lines. In November 1995, the code provision related to the division of monies was amended. Currently, monies are divided into seven shares, with 40 percent allocated to the citywide account and the remaining 60 percent divided equally among the six council district accounts. Applicants may apply for funding from a maximum of two accounts (one council district and the citywide account, or two council district accounts); however, funding may be voluntarily given from additional accounts.

Application Process

The application, approval, payment, and reporting processes are described in the city code, program contracts, Administrative Regulations and internal memoranda. In addition, the current committee is working with city staff to establish written committee procedures to improve the NTDF process. The NTDF process is evolving; generally, however, it begins with agencies interested in applying for NTDF funds obtaining application information packets from the Neighborhood and Community Services Department. Depending on the timing of the proposed event, applicants may also attend a meeting at which Neighborhood and Community Services staff explain the process from application through reimbursement and reporting. Completed applications are returned to staff. Staff reviews the submitted materials and determines whether application requirements have been met. Complete applications are included in the committee's next application review meeting. Agencies whose applications are incomplete are sent a letter listing the deficiencies that need to be addressed. Nonconforming applications are provided to the committee,

but are identified as ineligible. Once deficiencies are corrected, the applications are included in the committee's next review meeting. Prior to committee meetings, committee members receive packets containing eligible and ineligible applications and supporting contract documentation for review. Eligible applicants make presentations before the committee and answer questions. Ineligible applicants are sometimes permitted to make presentations. After presentations, the committee makes funding recommendations based on the information reviewed, presentations, and available funds.

Staff draft ordinances and fact sheets allocating funding based on the committee's quarterly recommendations with annual allocations included in the budget ordinance. The funding level proposed in the ordinances and fact sheets have sometimes been adjusted from the committee recommended funding level at the direction of a councilmember. Elected officials may introduce ordinances for council consideration without the benefit of committee review. Ordinances pass through the normal legislative process, where they may be amended.

After an ordinance is passed allocating funds to an NTDF project, city staff may meet with funded agencies to explain the NTDF reimbursement and reporting process and to gather any additional contract requirements that are necessary (such as a revised budget based on the actual funding received and insurance for the event). Contracts are to be prepared and executed within 120 days of the effective date of the ordinance. Once the event occurs, documentation supporting expenditures is submitted, checked by staff, and authorized and eligible expenses are reimbursed. Financial and narrative reports and all reimbursable expenses for the funded event are required to be submitted by the contracting agency within 90 days after the event concludes.

Summary of the 1992 Performance Audit

The October 1992 performance audit focused on one NTDF project, the Clay-Platte Baseball League contract, and used that program to assess controls over the fund itself. We found oversight by staff was insufficient. Unauthorized expenses had been reimbursed and contract terms were not enforced. Our recommendations were directed toward strengthening NTDF contract monitoring and controls.

Status of Report Recommendations as Determined through the Audit

The implementation status of the recommendations included in the original report based on our audit work is provided in Exhibit 2. One Audit Report Tracking System (ARTS) report was submitted in July 1993. (See

Appendix B). The Rules and Audit Committee directed staff to take no further actions against the Clay-Platte Baseball League. As a result, we did not determine the status of recommendations 1 and 2.

Exhibit 2. Status of Recommendations as Determined by Audit

Recommendation	Status
1. We recommend that the Clay-Platte Baseball League no longer be considered for NTDF funding due to having violated the terms of their City contract.	Not Determined
2. The Department of Neighborhood and Community Services and the Law Department should seek to recover approximately \$4,550 in unauthorized expenditures from the league.	Not Determined
3. The Department of Neighborhood and Community Services should revise contracts and increase monitoring efforts regarding financial activities on contracts including the following:	
a. Prohibit commingling of NTDF funds received by agencies with more than one funding source. At the very least, contract terms should be revised to include a provision which requires sponsoring agencies to provide a separate accounting for disbursement of NTDF funds.	Partially Implemented
b. Perform at least limited review of invoices submitted for reimbursement including random comparison of the vendor original invoices with those submitted by the contracting agency.	Partially Implemented & Partially Withdrawn
c. Discontinue reimbursing for amounts that exceed budgeted amounts within budget categories unless prior approval has been sought and received by the contracting agency. Reimbursed amounts within budget categories should not exceed budgeted amounts even though reimbursing for the higher amount would not exceed the total contract amount. Had the NCSD taken such action in the case of Clay-Platte Baseball League, trophy reimbursements, for example, would have been much closer to the amount actually needed for NTDF-funded tournaments and would not have included trophy expenditures for non-NTDF-funded activities.	Not Implemented
d. Ensure that financial information required by contracts is provided to NCSD by NTDF-funded agencies including proof that agencies have fulfilled all various tax obligations.	Not Implemented

Recommendation	Status
<p>4. The Department of Neighborhood and Community Services should revise contracts in an effort to improve the type of program documentation required. Such documentation should support the fact that funded events attracted tourists to the City, or at the very least that good-faith efforts were made to attract tourists. For sporting events similar to the Clay-Platte tournaments, such documentation should include tournament schedules, related correspondence, team names and locations and the name of a contact person from participating teams which would enable verification of events.</p>	Partially Implemented
<p>5. The department's monitoring efforts should be improved by uniformly applying funding guidelines to all grantees and determining the reasonableness of grant requests in light of planned activities. We also recommended that NCSD staff provide information regarding the reasonableness of grant requests to the NTDF Committee to ensure a more informed decision.</p>	Withdrawn
<p>6. We recommend that the City Manager develop a proposal for approval by the City Council that would provide sufficient staff to the Neighborhood and Community Services Department to ensure adequate monitoring of contracts.</p>	Not Implemented
<p>7. The NCSD staff should vigorously enforce contract terms in an effort to protect the City from unauthorized uses of NTDF funds. For example, NCSD staff should withhold reimbursement payments until certain documents are provided by the contractor if the contract indicates such measures are permitted.</p>	Not Implemented
<p>8. The NCSD should work with contractors to ensure that performance measures are developed which address the contractors' efforts and accomplishments regarding attracting tourist and promoting the City as a convention and tourist center.</p>	Not Implemented
<p>9. We recommend that the new guidelines set forth in Resolution 920232 be adhered to, especially with regard to the criteria described for selection of NTDF projects and councilmanic requests for exceptions to contract requirements.</p>	Implemented

Findings and Recommendations

Summary

We found that staff of the Neighborhood and Community Services Department has taken steps to improve its oversight and monitoring of programs funded by the Neighborhood Tourism Development Fund. Sample documents are provided to applicants, files show evidence of monitoring efforts, and rules for review are being developed through the efforts of staff and NTDF committee members.

We also found, however, that the program remains susceptible to waste and abuse because of control weaknesses. The committee process, established in the city code, is sometimes bypassed. Code and contract provisions are not consistently enforced, and program guidelines are not clear. The funding of many, transient projects on a council-district basis increases program costs and makes administration difficult.

The NTDF program has been described as a “slush fund.”⁷ The inconsistent enforcement of existing rules jeopardizes the program’s integrity and makes members of the City Council targets of those who would attempt to obtain city funds outside established procedures. The City Council has made great progress recently in scrutinizing its activities to uncover—and rectify—areas in which its members are vulnerable. Strengthening controls over the NTDF program will provide the city with additional protections over the expenditure of city money.

Eliminating the Fund Is Not Feasible

In 1997, the press reported that the mayor referred to the Neighborhood Tourist Development Fund as a “patronage fund” that did little to stimulate tourism. The mayor initially recommended eliminating or altering the fund, then endorsed leaving the fund alone. Others suggested eliminating the tourist fund and reallocating the NTDF revenues to higher city priorities.

The tourist fund was authorized through state legislation. Alterations to the fund could require amending state statutes. Members of the city’s Jefferson City legislative delegation have warned that seeking even minor

⁷ Yael T. Abouhalkah, “Kill the tourism slush fund; Kansas City should spend money on higher priorities.” *The Kansas City Star*, October 4, 1997.

changes in the state enabling legislation could endanger associated funding used for Bartle Hall. As a result, local elected officials retreated from their initial efforts to alter or eliminate the tourist fund. Because the elimination of the fund may not be feasible at this time, we limited the scope of our recommendations to improving the fund's processes and procedures.

Program Remains Susceptible to Waste and Abuse

Control weaknesses in the administration of the NTDF program have caused the program to remain susceptible to waste and abuse. Procedures are not followed and program guidelines are not clear. The city code established a committee to review and recommend applications for funding. The committee process, however, is sometimes bypassed. Agencies have obtained NTDF funding by circumventing the committee and making requests directly to elected city officials, leading to the appearance of favoritism.

Established Application Procedures Are Not Followed

The City Council has approved ordinances providing NTDF funds to projects without recommendations by the NTDF committee. During one 1998 quarterly application review cycle, elected officials allocated 63 percent of the fund's remaining \$249,000 between the committee's quarterly meetings. Funds were also allocated without committee review and comment between other review cycles.

Number of review cycles increased; process is still bypassed. In January 1997, the Red Flag Commission recommended that the number of NTDF application cycles be increased from one to two annually to address contracting and ethics issues identified during staff testimony. The commission also recommended that no NTDF applications be accepted outside of the review cycles or, in the alternative, that a procedure be established for reviewing applications outside the regular application cycles. In March 1997, the city's code was amended and four quarterly application cycles were established.

The frequency of the committee meetings at which applications are reviewed would seem to offer agencies sufficient opportunity to comply with application procedures. Although the committee reviews applications approximately every three months, we found that sometimes elected officials and agencies still bypass the application process.

Events designed to encourage tourism require planning and promotion to be successful. The approval of last minute funding requests outside of the

committee process contributes to the impression that the NTDF monies are available to rescue inadequately planned events. Because NTDF was not designed to serve as an emergency funding source, there is no legitimate reason for bypassing the committee process.

Memorandum Outlines Exception to Committee Review Process. A July 1997 memorandum from a former assistant city manager to the mayor and members of the City Council established a new application procedure that appears to be inconsistent with the terms of the code as it would be amended just days later. The memorandum procedure provided for councilmembers to introduce and pass ordinances to fund NTDF projects after a review by staff, but without the involvement of the members of the NTDF committee.

The code states that “the purpose of the [NTDF] committee will be to review proposals and make recommendations to the council on the disbursement of the funds.”⁸ Although there is no prohibition on the council awarding NTDF money without the committee’s recommendation, the code procedures point toward a three-part process: application by an organization, recommendation of the NTDF committee, and award of funds by the City Council.

Committee Process Should Be Followed

Allowing individual agencies and councilmembers to bypass the committee review process ignores the benefits this established procedure provides. Following established procedures is a control function and should reduce the program’s susceptibility to waste and abuse. The current procedure balances the detailed committee review and recommendation with the final council funding authorization. This process decreases the likelihood that individual officials will attempt to intimidate staff and provides a shield for elected officials who might be pressured by a constituent group to support a project.

The approval of projects without committee review also disregards the time and effort that staff and committee members invest in following the code-established process. Committee members have characterized the introduction of ordinances by elected officials to fund projects without committee review as insulting to the committee’s integrity and wasteful of committee members’ time.⁹ Allowing agencies to receive money without complying with the committee review process demeans the time and effort of applicants who follow procedures and could give unfair advantage to applications that have not been subjected to the committee’s scrutiny.

⁸ Code of Ordinances, Kansas City, Missouri, Section 2-931(2).

⁹ Dan Margolies, “Mayor dips into tourist fund he criticizes.” *Kansas City Business Journal*, Oct 13, 1997.

Fair process requires knowledge of all procedures. The process established in the July 1997 memorandum has not been included in the code or in the packets of information supplied to applicants. Defensible funding decisions depend on fair, equitable treatment of all applicants. It would not be evident to a person relying on the terms of the code rather than on personal contact with an elected official that another procedure is available. Applicants do not have a right to NTDF money, but applicants do have the right to a fair process when seeking a government benefit. A fair process requires that all applicants be informed of alternative funding approval procedures.

Code provides for representation of council district interests. For fiscal year 2000, the committee initially reviewed 78 applications requesting \$3,800 to over \$100,000 in NTDF support. A detailed and direct review of all applications by the City Council is not practical. Using the committee to screen applications and make recommendations for funding relieves councilmembers of the burden of conducting detailed project reviews. The code permits each councilmember to appoint a representative to the committee, ensuring that the interests of each council district can be represented.

In addition, the City Council, acting as a body, has the final authority to allocate funds, and may adjust recommended funding levels or even depart from the committee's recommended list of projects. They should do so, however, only after all project applications have gone through the same review process. Following each review cycle, staff should forward to the City Council a list of all project applications reviewed, with funding amounts requested and recommended for each project. This information on the results of the committee's work would equip the City Council to make informed funding decisions.

Approving projects outside of the committee process appears to be favoritism. Circumventing established procedures creates an atmosphere where abuse can occur. All agencies seeking NTDF funding should follow the same process. A complete application with all necessary supporting documents should be submitted. A presentation to the NTDF committee should be made. The committee should evaluate the proposed event and make a funding recommendation to the council. And, the council should then make its final funding determination. While applicants cannot expect to receive equal funding, fairness dictates that all applicants follow the same funding process. Following one procedure reduces the risk that required information will not be provided and decreases the likelihood of inappropriate political interference in program administration. The last-minute allocation of money outside of the committee review process could be perceived as a function of who an

applicant knows, rather than as an open discussion of the relative merits of the proposal.

Public impressions of the NTDF program have suffered. The use of pejorative terms such as “slush fund” and “patronage fund” in the local media reflects a perception that the fund is used by officials to fund pet projects. Negative perceptions damage the reputations of the fund and of elected officials. According to the city’s ethics code:

The proper operation of democratic government requires that public officials and employees be independent, impartial and responsible to the people; that government decisions and policy be made in the proper channels of the governmental structure; that public office not be used for personal gain; and that the public have confidence in the integrity of its government.¹⁰

Recent City Council Efforts to Strengthen Ethics Are to Be Commended

Several of the improprieties discovered in recent years involved the direction of staff by individual councilmembers rather than by the legislative body. This inappropriate behavior contributes to a mistrust of city government. Recently, the City Council has made an effort to identify their proper legislative role and ethical responsibilities.

Red Flag Commission Report. Mayor Emanuel Cleaver II established the Red Flag Commission in response to a wave of public corruption prosecutions involving elected city officials. The mayor asked a group of seven business and community leaders to examine the “processes, procedures, and monitoring of contracts at City Hall.” The resulting report made recommendations directed at improving contracting procedures, promoting open ethical government, and defining the proper relationship between the City Council and city staff.¹¹

Report of the Council Ethics/Relations Committee. Mayor Cleaver created the Council Ethics/Relations Committee and charged it with developing guidance for the full City Council on the proper interaction between the council and city staff. Among other issues, the committee report suggested that individual direction of staff on the part of members of the City Council is inappropriate behavior and should be vigorously prohibited. As the report states:

¹⁰ Code of Ordinances, Kansas City, Missouri, Section 2-1011.

¹¹ *Red Flag Commission Report*, Red Flag Commission, Kansas City, Missouri, 1997.

This action must be discouraged because operating outside of formal channels subverts the legislative process and affects all of city government...The inappropriate actions of a single councilmember or member of city staff cast doubts on the ethics of the entire City Council and city government.

While behavior cannot be legislated, conduct can be proscribed. A climate of intolerance of unethical behavior must be cultivated from the top down. Sanctions exist for illegal or inappropriate acts but additional guidance is needed for the inevitable acts which might be unethical or inappropriate, depending on the intentions of those committing them and the perceptions of those who witness them.¹²

NCSD management responsible for the monitoring of the NTDF program reported that attempts of elected officials and their staffs to direct and interfere with the administration of the NTDF had generally decreased, but had not been completely eliminated.

One Fund, Allocated by the Rules, Would Reduce City Council Vulnerability

The allocation of NTDF money by council district leaves councilmembers vulnerable to agency attempts to pressure individual councilmembers for funding. In addition, the ability of elected officials and some agencies to bypass existing procedures weakens controls over the program. The integrity of the NTDF program could be immediately improved in at least two ways: by ending the practice of allocating the money on a district basis, and by requiring all applicants to comply with publicized procedures.

One citywide fund would eliminate councilmembers' personal control.

The first step in the reform process should be to establish the NTDF as a citywide fund. The council has employed a procedure that requires or encourages elected officials to shepherd NTDF projects through the council. Dividing budget items into districts tends to encourage involvement by elected officials in the operation of the funds, not simply the appropriation of the funds and delegation of administrative duties.

¹² *Report of the Council Ethics/Relations Committee*, Council Ethics/Relations Committee, Kansas City, Missouri, February 1999, pp. 11-12.

A single, citywide fund should be used to pay for well-planned projects with an appreciable impact on city tourism. The city code should be amended to replace the seven-part segmentation of the fund with a single fund. The specific operation of the NTDF is not dictated by the state enabling legislation. The change to a single fund from the current seven-part segmentation could be accomplished without any change to the state enabling legislation.

Procedures should be followed. The second way to strengthen controls over the NTDF program is to abide by the established process. The current three-step process should be maintained and strengthened. Having a representative committee review applications and recommend funding, with the City Council acting on the recommendations as a body, would provide for equal input on the part of all councilmembers. If the council does not view the current procedures as practical, the code or other regulations should be amended to reflect the procedures to be followed. All potential applicants should understand the rules by which NTDF monies will be allocated in order to have an equal opportunity to pursue this public funding source. Abiding by established procedures is critical to building confidence in the program.

Contract Administration and Monitoring Should Be Strengthened

We found administrative problems with the contract files we reviewed. Code and contract requirements had not been enforced, documentation supplied by contracting agencies was inadequate or incorrect, and some expenses were inappropriately reimbursed.

The nature of the current NTDF program – funding a large number of unique, transient events on a council-district basis—makes administration and monitoring of the program difficult and costly. Although control weaknesses remain, NCSD staff has begun to take steps to implement stronger controls.

Staff Waives Code and Contract Requirements

Many of the recommendations made in our original audit related to contract monitoring and administration issues. Our follow-up determined that not all contracting requirements are enforced and good business practices are not followed.

In order to address the status of the previous recommendations we reviewed contract administration and financial monitoring documentation on 14 NTDF events that were funded in fiscal years 1997 and 1998. (See

Appendix C.) We chose not to identify the specific files selected for review in order to focus attention on contract administration and monitoring issues rather than on specific events, agencies, or individuals.

We selected a segmented sample of events in order to include each council district and citywide programs, as well as two levels of funding (seven contracts under \$10,000 and seven contracts for \$10,000 or more). We also required that payments had been made to permit our evaluation of the financial monitoring efforts. Projects reviewed ranged in value from approximately \$2,000 to approximately \$35,000, and totaled approximately \$203,000. One contract was approved outside of the NTDF committee review process. Projects reviewed ranged from neighborhood festivals to cultural and athletic events.

Code requirements waived. Code section 2-936 and 2-937 set forth mandatory requirements for NTDF contracting. We found that requirements established by the city's code were improperly waived. (See Exhibit 3 and Appendix D.) Unless specifically authorized by ordinance, staff does not have the authority to waive code requirements.¹³ The code may only be amended by ordinances approved by the City Council.

Exhibit 3. Compliance with Selected Code of Ordinance Requirements

Code Requirement	Number of Agencies Complying (Out of 14)
Contractor complied with 90-day report requirements for previous NTDF contracts (Section 2-936 (3))	3 ¹⁴
Complete financial compilation of costs report supplied within 90 days (Section 2-936 (1))	1
Complete narrative program report supplied within 90 days (Section 2-936 (2))	6

Source: City Auditor's Office File Review.

Reporting recommendations not fully implemented. Key elements in monitoring NTDF projects are two 90-day reports: a narrative report and a financial compilation of costs. These reports are required by the city's code. In our original audit, we recommended separate reporting for disbursement of NTDF funds. In response to this recommendation, the code

¹³ For example, Code of Ordinances Section 2-937 states that "All neighborhood tourist development fund contracts must be executed within 120 days from the effective date of the ordinance authorizing the contract unless waived by the city manager or the city manager's designee."

¹⁴ The three organizations meeting this requirement had not received previous NTDF funding.

and contract language was modified to require the segmented reporting of NTDF monies in the 90-day financial report. Although the requirement was established, our file review determined that complete, accurate financial reports were not always supplied; supplied within the 90-day reporting period; or prepared by a certified public accountant as required by the city's code. We also found that the reports were not routinely reviewed to ensure that agencies complied with the separate reporting of NTDF expenditures.

Inaccurate and incomplete reports nullify the controls anticipated from implementing proper reporting. We continue to recommend the separate accounting of NTDF monies and also recommend that staff review submissions for compliance with reporting requirements.

Narrative reports lack important details. Our recommendations to revise contract language to strengthen required reporting documentation and to develop performance measures against which efforts and accomplishment should be measured were not fully implemented. Contract language was modified to reflect added reporting requirements, however, not all of the program files we reviewed provided documentation or discussions of event performance and the effectiveness of the marketing plan. The report on one event supported by ticket sales, for example, did not report the number of tickets sold or attendance estimates.

The transient nature of events makes documentation of events and contractor efforts vital for effective contract monitoring. We continue to recommend that additional documentation such as schedules of events, advertisements, and promotional materials be supplied by funded agencies. We also believe that attendance/participation levels should be included in the 90-day narrative reports as required by code. The establishment of goals and the accurate reporting of efforts and accomplishment would provide information that could be used to assist with contract monitoring, reimbursement verification, and decisions on future funding.

90-day reporting requirement not enforced. The mandatory sanction established by the City Council that groups not submitting reports within 90-days are ineligible for future funding is waived by NCSD staff when the reports are eventually submitted.¹⁵ Staff interprets the spirit of the code to be met and waives the code's prohibition on future funding if both reports are eventually submitted. This interpretation of the code meets the probable intent of ensuring that money goes to reputable groups, however, it lengthens and complicates the administrative process.

¹⁵ Code of Ordinances, Kansas City, Missouri, Section 2-936 (3).

Some contract provisions not enforced. We also found that staff had not enforced requirements contained in the contract and AR 3-15. Contract and AR requirements are typically established by the city manager or staff working for or reporting through the manager, as a result, these requirements may be waived based on the manager's written delegation of authority. The inconsistent enforcement of contracting requirements, however, can weaken program controls.

In our original audit, we recommended that staff enforce contract terms. Our current review found that some files lacked reliable information regarding current payment of taxes, proper documentation for reimbursement, and proof of insurance with the city named as an additional insured prior to the event. Waiving contract provisions is a poor management practice that could result in weakened controls over funded projects. (See Exhibit 4 and Appendix D.)

Exhibit 4. Compliance with Selected Contracting Requirements

Requirement	Number of Agencies Complying (Out of 14)
Reimbursements within individual line item budget categories (Contract provision 14)	1
Payments documented by either copies of both sides of cancelled checks issued or invoices certified paid by the vendor. (Contract provision D)	9
\$1 million liability insurance coverage prior to event with city named as an additional insured (Contract provision 18)	3
Board resolution properly signed & authorizing contract (AR 3-15, section 5.2.6)	1
Contractor is current on all local, state & federal taxes (Contract provision 11)	9

Source: City Auditor's Office File Review.

Past problems impact current administration. Our review of files and interviews with staff identified a number of reasons for the lack of vigorous contract administration. A relatively small staff was assigned to provide oversight for a relatively large number of unique contracts. A backlog of contracting issues from prior years continue to require administrative efforts. Current staff have been assigned to the NTDF program for less than one year and were reluctant to enforce rules that were previously waived. Staff was also not always able to determine

whether the city was responsible for the problem or delay. Finally, the administrative interference or attempted interference of some elected officials or their representatives, left staff questioning whether enforcement of contract requirements would be supported.

Program Criteria and Guidelines Need to Be Clarified

The NTDF continues to be susceptible to abuse because the criteria for events and applicants are not clearly defined. Staff and committee members have suggested that clarification of the current code is needed. Neighborhood tourist development activities are defined as “cultural, social, ethnic, historic, educational and recreational activities which promote the city as a convention visitors and tourist center.” This broad definition, combined with several series of guidelines and criteria contained in the code, are difficult to consistently apply to the range of NTDF applications.

In our original audit, we recommended that the guidelines contained in Resolution 920232 be followed. Although most of the eligibility requirements contained in the resolution were incorporated into the current code, the application of the code to individual projects is difficult.

Review suggests clarification of other issues. Our examination of contracting files identified several possible issues related to the appropriate administration or use of NTDF funds. Our review of program records and the 14 sample files disclosed problems with the following issues that could benefit from review and clarification or action:

- **Extended deadlines for the submission of contract and reimbursement documentation complicates administration and monitoring.** Staff often waives the 120-day contract execution requirement. Waiving this requirement, while permitted through the delegation of authority by the city manager, complicates the administration and monitoring of the fund. We found only 6 of the 14 contracts reviewed were signed within 120 days of the effective date of the ordinance authorizing the contracts, with some contracts signed more than a year after the ordinance authorizing the event was approved. Only four of the contracts we reviewed were signed before the first funded event occurred. The execution of contracts after events have occurred or months after a project received council approval should be examined. The acceptance of reimbursement requests more than 90-days after an event should be similarly examined. Agencies run the risk that with the passage of too much time, the city’s staff will be unable to enter into a contract for an event that took place years before or that agency representatives will be

unable to identify or document reimbursable expenses. Contract administration and monitoring would benefit from a limit on the length of time agencies have to supply all necessary contract and reimbursement documentation.

- **Use of NTDF monies to support the cost of events taking place outside of the city limits.** Although there is no direct prohibition on funding events that occur outside of the city, the code language suggests that events should bring tourists and conventioners into the city.¹⁶ Promotion of the city as a convention and tourism center is most likely to have a positive impact when NTDF monies support events within the city limits.
- **Use of NTDF monies to support events that are closed to the public.** The code requires that “projects should have appeal to local residents as well as to tourists.” We found one event supported by NTDF funding for which no tickets were available and to which only selected individuals were admitted. Events closed to the public or that have only limited ticket availability should be evaluated closely to determine whether public funding is appropriate.
- **Use of NTDF funding for events that transfer proceeds to others.** The code states that “those proposals, which are designed, to generate funds which might alleviate the need for future city subsidy are preferred.” NTDF agencies that generate event revenues should be encouraged to use those revenues to support future events. However, sponsoring agencies are permitted to use event proceeds to benefit others. We reviewed one project for which agency funds were transferred to another not-for-profit corporation that was not in corporate good standing, while the NTDF funded agency continued to apply for and receive funding in subsequent years. The NTDF was established to promote tourism. Because the code encourages self-supporting events, transferring event proceeds to other organizations should be critically examined.
- **Requirements for complying with the state open public meetings act.** NTDF committee meetings were not always posted and meeting minutes were not always available, which appears to conflict with the state statute intended to ensure open and public decision-making by governments.

¹⁶ Code of Ordinances, Section 2-934 (2) (b): “Provide a clear appeal to persons who do not live in Kansas City, but who would travel to Kansas City to participate in or otherwise attend the proposed activity.” Code of Ordinances, Section 2-934 (2) (c): “Provide a clear appeal to persons who do not live in Kansas City, but who are visiting in the city, and who hear of the proposed activity.”

- **Reimbursing expenses for press releases, brochures, and printed advertisements.** Contract provision 5 requires that “all publicity releases or publications mentioning contracted activities will include reference to the City and the program or source from which funds are derived.” We did not find that all agencies supplied copies of press releases, brochures, and printed ads that were used to promote NTDF supported events. Copies of printed materials should accompany all related reimbursement requests. NTDF monies should not be used to reimburse publicity and advertising expenses that do not credit the NTDF as a funding source.

Code and Contract Requirements Should Be Enforced

Rules established by code may only be amended by ordinance. Staff does not have the authority to waive code-established requirements. Contract requirements and other administrative regulations may be waived by staff when the city manager delegates the authority to do so, however, waiving contract provisions establishes precedents that may suggest to agencies that all requirements are negotiable or that a proper control environment does not exist.

City staff and members of the NTDF committee should review the requirements of the code, identify sections that would benefit from changes, and work with the Law Department to recommend language for council consideration and approval. Clarifying and enforcing code requirements should strengthen controls, and improve contract monitoring and administration activities.

The city should not include provisions in contracts that it is unable or unwilling to enforce. Current contract provisions should be reviewed and a clear position established that all contract requirements must be met. If provisions do exist that the city is unwilling to enforce, those provisions should be modified or eliminated from the contracts. Contract requirements should not be waived, and city management and elected officials should support the enforcement of established code and contract requirements.

Staffing Level Remains Unchanged

At the time of our original audit, the Neighborhood and Community Services Department had roughly two full-time equivalent (FTE) positions to review proposals and administer approximately 43 approved NTDF contracts. At that time, the department director informed us that staffing was adequate to operate the program on a day-to-day basis, but that an additional full-time administrative position would be required to monitor and evaluate the program properly. We recommended that the city

manager develop a proposal for approval by the City Council that would provide sufficient staff to the department to ensure adequate monitoring of contracts. The July 14, 1993, ARTS report reported that positions were included in the fiscal year 1994 budget to assist in processing and monitoring NTDF projects.

Despite an increase in the number of proposals submitted, and a doubling of the number of contracts authorized and the amount of money administered, management indicated that only about 1.7 FTEs are currently devoted to the program. Based on our review of the contract files for this program and discussions with program staff, we believe that additional staffing may be necessary until past program administration problems are remedied and the impact of current program adjustments and audit recommendations are implemented. We recommend that the department evaluate the program's current administrative needs and develop a proposal for approval by the City Council that would provide sufficient staff to the Neighborhood and Community Services Department to ensure adequate monitoring and administration of NTDF contracts.

Efforts are Underway to Improve Monitoring and Administration

Our review of the program files identified several areas in which NCSD staff increased its administrative and monitoring efforts. These efforts are to be commended. We also saw some areas in which additional work could further improve efforts to monitor the program.

Files showed evidence of monitoring efforts. We found file documentation indicating that inadequately documented requests for reimbursements were rejected, ineligible expenses were flagged, and checklists to aid in contract administration were developed and used. However, we also found one invoice that was reimbursed twice by the city, and another invoice on which sales tax that was not paid by the agency was reimbursed by the city.

Steps being taken to free previously encumbered monies. NCSD staff is currently working on resolving program and contracting issues from prior years. Staff is reviewing contract files and identifying agencies that have not yet entered into NTDF contracts. Letters have been sent to 20 agencies that were awarded NTDF funding for fiscal year 1996, 1997, and 1998. Approximately \$400,000 in funding has been identified in these project files that could be freed for the funding of other events. NCSD staff will also review files for contracts that were executed but for which reimbursements were never requested or the reimbursement requests were for less than the total contract amount. In our review of files we identified at least four agencies that had not submitted documentation

to fully expend the total NTDF funding authorized. While documentation in one of these files indicated that the submission of additional documentation was pending, others contained no indication that any additional funding requests would be made. Although NCSD staff has not begun this review yet, the plan to close files and free up previously encumbered monies is a positive step toward improving controls over the administration of this program.

Documents have been developed. Neighborhood and Community Services staff has developed various forms designed to improve the administration of the program. For example, copies of sample contracting documents were developed and provided to NTDF applicants at a pre-application meeting held last fall. Developing sample documents is a positive step in assisting potential applicants in the timely submission of required documentation.

The staff also developed a budget modification form. We originally recommended that expenditures exceeding budgeted amounts within budget categories be rejected unless prior approval was obtained. Contract provisions state that line item changes are permissible if they are approved by the city in writing in advance. In our file review we found that the city did not enforce this contract provision. Only one file contained documentation revising the line item budget categories to that of reimbursed expenditures. The administrator of the program recently developed a form to record and authorize adjustments to the budget categories.

Database and procedures are being developed. Staff is developing an information database of previously funded projects at the request of the NTDF committee. This database should assist staff in future application cycles and provide current information on the status of every funded project. A more efficient administration and monitoring process should result.

NCSD and law department staff and the NTDF committee are in the process of developing procedures for the operation of the committee. In addition, staff plans on developing written documentation detailing staff procedures and responsibilities.

Additional Recommendations Withdrawn

We originally recommended that the staff provide information regarding the reasonableness of a funding request to the members of the NTDF committee. While we continue to believe that all relevant information should be supplied to the committee, we do not believe that staff is better qualified than committee members to determine the reasonableness of

requests. The committee is in the strongest position to evaluate the relative cost and merit of a proposal based on the written materials submitted by the applicant and on responses to questions asked at presentations. We therefore withdraw this recommendation.

We also recommended that staff review invoices submitted for reimbursement and randomly request invoices from vendors. While basic reimbursement procedures require the review of all submitted invoices and that copies of original invoicing should be obtained if staff suspects receipts have been altered, time limitations on the part of the program's staff cause us to withdraw that portion of the recommendation directed at a random comparison of original vendor invoices.

Recommendations

1. The city manager should prepare for council consideration an ordinance amending section 2-931 (2) (c) of the Code of Ordinances to establish a single citywide NTDF account.
2. The city manager should prepare for council consideration an ordinance establishing a single application and approval process that will be used by all NTDF applicants.
3. The director of Neighborhood and Community Services should assure that NTDF program managers review the requirements of the city's code, identify sections that could benefit from clarification and changes, and work with the Law Department to prepare for council consideration ordinance revisions that will be enforced.
4. The director of Neighborhood and Community Services should assure that NTDF program managers, with the assistance of the Law Department, review and update contract language to reflect contract requirements that will be enforced.
5. The director of Neighborhood and Community Services should evaluate the program's current administrative needs and provide adequate staffing to administer and monitor NTDF contracts.

Appendix A

Members of the Neighborhood Tourist Development Fund Committee January 1999

Appendix A: Members of the Neighborhood Tourist Development Fund
Committee – January 1999

NTDF Committee Member	District Represented	Appointed By
Ruthanne Harper	District 1	Loar
Joyce Vidovich	District 1	Ford
George Niewrzal	District 2	Glover
Meghan Conger	District 2	Danaher
Barbara Lora	District 3	Williams-Neal
	District 3	Finley ¹⁷
Ellen King	District 4	Stackhaus
Christine Alexander	District 4	Asjes
Bradley Harris	District 5	Simmons
Ara McGee	District 5	Bacchus
Judy Sherry	District 6	Blackwood
Alice Shepard	District 6	Swope
Kevin Pistilli	Citywide	Cleaver
Carl Evans	Citywide	Cleaver
Keith Thomas	Citywide	Cleaver

¹⁷ Former Councilmember Finley declined to appoint a district representative.

Appendix B

Audit Report Tracking System: Contract Compliance Audit Clay-Platte Baseball League

Audit Report Tracking System																					
1. Audit Title Clay-Platte Baseball League	2. This Report Date July 14, 1993																				
3. Department Neighborhood and Community Services	4. Last Report Date N/A																				
5. Department Head Bob Mohart	6. Contact Person/Phone Bob Mohart 274-2397																				
7. Audit Release Date October, 1992	8. ARTS Number 92-6-1																				
9. Status of All Audit Recommendations																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Status</th> <th style="text-align: left; border-bottom: 1px solid black;">Date</th> </tr> </thead> <tbody> <tr><td>1. Non-Implementation</td><td>7/14/93</td></tr> <tr><td>2. Non-Implementation</td><td>7/14/93</td></tr> <tr><td>3. Implemented</td><td>7/14/93</td></tr> <tr><td>4. Implemented</td><td>7/14/93</td></tr> <tr><td>5. Non-Implementation</td><td>7/14/93</td></tr> <tr><td>6. Implemented</td><td>7/14/93</td></tr> <tr><td>7. Implemented</td><td>7/14/93</td></tr> <tr><td>8. Non-Implementation</td><td>7/14/93</td></tr> <tr><td>9. Implemented</td><td>7/14/93</td></tr> </tbody> </table>		Status	Date	1. Non-Implementation	7/14/93	2. Non-Implementation	7/14/93	3. Implemented	7/14/93	4. Implemented	7/14/93	5. Non-Implementation	7/14/93	6. Implemented	7/14/93	7. Implemented	7/14/93	8. Non-Implementation	7/14/93	9. Implemented	7/14/93
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7. Implemented	7/14/93																				
8. Non-Implementation	7/14/93																				
9. Implemented	7/14/93																				
10. Recommendations Included in this Report																					
<p>RECOMMENDATION 1. We recommend that the Clay-Platte Baseball League no longer be considered for NTDF funding due to having violated the terms of their City Contract.</p> <p>DESCRIPTION OF STATUS: Non-Implementation: The Rules and Audit Committee in its October 7, 1992 meeting, indicated that no further action would be taken against the Clay-Platte Baseball League. (See Summary of the Rules and Audit Committee Meeting attached hereto as Exhibit I.)</p> <p>RECOMMENDATION 2. The Department of Neighborhood and Community Services and the Law Department should seek to recover approximately \$4,550 in unauthorized expenditures from the League.</p> <p>DESCRIPTION OF STATUS: Non-Implementation. The Rules and Audit Committee in its October 7, 1992 meeting, indicated that no further action would be taken against the Clay-Platte Baseball League. (See Summary of the Rules and Audit Committee Meeting attached hereto as Exhibit I.)</p> <p>RECOMMENDATION 3. The Department of Neighborhood and Community Services should revise contract and increase monitoring efforts regarding financial activities on contracts including the following:</p> <p style="margin-left: 40px;">a. Prohibit commingling of NTDF funds received by agencies with more than one funding source. At the very least, contract terms should be revised to include a provision which requires sponsoring agencies to provide a separate accounting for disbursement of NTDF funds.</p>																					

Audit Report Tracking System	
Audit Title:	Clay-Platte Baseball League
Report Date:	July 14, 1993
10. Recommendations Included in this Report (continued)	
<p>DESCRIPTION OF STATUS: Implemented. Revision of the NTDF contract document was completed at the time of the October 7, 1992, Rules and Audit Committee meeting. A copy of the revised contract was provided for review at that time and is attached hereto as Exhibit II. Compilation of Costs forms attached to the contract document (Exhibit II) require separate accounting for disbursement of NTDF funds. This format was approved in Resolution 920232.</p> <p>b. Perform at least limited review of invoices submitted for reimbursement including random comparison of the vendor original invoices with those submitted by the contracting agency.</p> <p>DESCRIPTION OF STATUS: Implemented. Limited reviews of invoices submitted by contractors are conducted.</p> <p>c. Discontinue reimbursing for amounts which exceed budgeted amounts within budget categories unless prior approval has been sought and received by the contracting agency. Reimbursed amounts within budget categories should not exceed budgeted amounts even though reimbursing for the higher amount would not exceed the total contract amount. Had the NCSD taken such action in the case of Clay-Platte Baseball League, trophy reimbursements, for example, would have been much closer to the amount actually needed for NTDF-funded tournaments and would not have included trophy expenditures for non-NTDF-funded activities.</p> <p>DESCRIPTION OF STATUS: Implemented. The department requires that a Request for Budget Line Item Transfer form be submitted for approval prior to reimbursement of expenses in excess of budgeted categories. (See Request for Budget Line Item Transfer form attached hereto as Exhibit III.)</p> <p>d. Ensure that financial information required by contracts is provided to NCSD by NTDF-funded agencies including proof that agencies have fulfilled all various tax obligations.</p> <p>DESCRIPTION OF STATUS: Implemented. The department requires that all NTDF-funded agencies complete a Compilation of Costs form previously referenced. In addition, each agency is required to submit evidence that tax obligations have been met for the tax quarter preceding contract execution. No expenses are reimbursed and no new contracts are executed for agencies in non-compliance status.</p> <p>RECOMMENDATION 4. The Department of Neighborhood and Community Services should revise contracts in an effort to improve the type of program documentation required. Such documentation should support the fact that funded events attracted tourists to the City, or at the very least that good-faith efforts were made to attract tourists. For sporting events similar to the Clay-Platte tournaments, such documentation should include tournament schedules, related correspondence, team names and locations and the name of a contact person from participating teams which would enable verification of events.</p>	

<h2 style="margin: 0;">Audit Report Tracking System</h2>		Page 3 of 4
Audit Title:	Clay-Platte Baseball League	
Report Date:	July 14, 1993	
10. Recommendations Included in this Report (continued)		
<p>DESCRIPTION OF STATUS: Implemented. The department will tailor contracts for sporting events similar to the Clay- Platte tournaments to include the requirement that tournament schedules, including team names, locations and contact persons, be provided prior to contract execution. In addition, to support the intent to attract tourists. agencies are required to include marketing plans when applying for NTDF funding.</p> <p>RECOMMENDATION 5. The department's monitoring efforts should be improved, by uniformly applying funding guidelines to all grantees and determining the reasonableness of grant requests in light of planned activities. We also recommend that NCSD staff provide information regarding reasonableness of grant requests to the NTDF Committee to ensure a more informed decision.</p> <p>DESCRIPTION OF STATUS: Non-Implementation. It is still unclear what is intended by the recommendation that the department uniformly apply all funding guidelines. All applications go through the same process; and all funding decisions are made by the City Council, most often supported by the recommendations of the NTDF Committee. Staff has and will continue to call "questionable" costs, and requests for funding, to the attention of the NTDF Committee. Normal screening processes occur which include examining the "reasonableness" of expenditures in the wide variety of events which are funded through this program.</p> <p>RECOMMENDATION 6. We recommend that the City Manager develop a proposal for approval by the City Council that would provide sufficient staff to the Neighborhood and Community Services Department to ensure adequate monitoring of contracts.</p> <p>DESCRIPTION OF STATUS: Implemented. In FY 93-94, positions were included which will assist in processing and monitoring NTDF projects.</p> <p>RECOMMENDATION 7. The NCSD should vigorously enforce contract terms in an effort to protect the City from unauthorized uses of NTDF funds. For example, NCSD staff should withhold reimbursement payments until certain documents are provided by the contractor if the contract indicates such measures are permitted.</p> <p>DESCRIPTION OF STATUS: Implemented. Agencies must provide all documents before contracts are executed. In addition, no reimbursements are made to agencies determined to be in non-compliance status.</p> <p>RECOMMENDATION 8. The NCSD should work with contractors to ensure that performance measures are developed which address the contractors' efforts and accomplishments regarding attracting tourists and promoting the City as a convention and tourist center.</p>		

Page 4 of 4	
Audit Report Tracking System	
Audit Title:	Clay-Platte Baseball League
Report Date:	July 14, 1993
10. Recommendations Included in this Report (continued)	
<p>DESCRIPTION OF STATUS: Non-Implementation. The department has adjusted the contracts (per the preceding discussion). In addition, Resolution 920232 specifically requires that funded projects meet specific criteria regarding their impact on tourists and tourism. The department will do its best to follow this recommendation as stated in our response to Recommendation 4.</p> <p>RECOMMENDATION 9. We recommend that new guidelines set forth in Resolution 920232 be adhered to, especially with regard to the criteria described for selection of NTDP projects and councilmanic requests for exceptions to contract requirements.</p> <p>DESCRIPTION OF STATUS: Implemented. To the extent of this department's control, Resolution 920232 is being followed.</p>	

Appendix C

Projects Authorized for NTDF Funding Fiscal Years 1998 and 1999

Appendix C: Projects Authorized for NTDF Funding Fiscal Years 1998 and 1999¹⁸

Organization	Event	FY98 Funding	FY99 Funding
39th Street Business Association	Spring Festival	3,000	3,500
Ad Hoc Group Against Crime	Sundays at Swope Park	25,000	
African American Film Society	African/Caribbean Film Festival		9,000
Ambitious Ones, Inc.	Theatrical Extravaganza		10,000
American Royal Association	American Royal Centennial		27,250
Assistance League of Kansas City – Heartland Auxiliary	Heartland Run	7,500	6,985
Big Brothers & Big Sisters of Greater Kansas City	11th Annual KY Elvis Parade		5,000
Black Archives of Mid-America, Inc.	Annual Juneteenth Celebration	28,000	24,700
Black Chamber of Commerce of Greater Kansas City, Inc.	Back to Business Week	5,000	
	Kansas City Celebrity Cooks	8,500	
Black Economic Union of Greater Kansas City	18th & Vine Heritage Jazz Festival	22,500	
Black Poets Collective	Poetry Slam/Awards Banquet		18,000
Bridging the Gap	Earth Day 1999		10,000
Brookside Business Association	Brookside Art Annual		5,000
	St. Patrick's Parade		3,500
Bruce R. Watkins Cultural Heritage Center	Collaborative Neighborhood Research Project		23,750
City in Motion Dance Theater, Inc.	Performance Series/Carnival Celebration	20,500	
	New Dance Series		14,500
City of Fountains Foundation	City of Fountains Brochure	21,000	10,000
	Westside Fountain Project	15,000	
Clay-Platte Baseball League	Baseball Tournaments	2,500	
Community Betterment League, Inc.	Annual Basketball Shoot-out	10,000	2,500
Country Club Plaza Association	Country Club Plaza's 75th Anniversary Celebration	12,000	
	Plaza Art Fair	5,000	13,000
	Celebration 76 - Plaza Fiesta		23,000
	Trick or Treat Street		4,500
Della Lamb Community Services	An Evening With the Platters	10,000	
	Blues 'N Barbecue Event	9,000	
Don Bosco Community Center, Inc.	Cliffhanger Race to Beat Hunger	2,100	5,000
East Meyer Community Association	1998 Heart & Soul Festival		10,000
Eighteenth & Vine Authority	16th & Vine Project Grand Opening Events	70,000	
	18th & Vine Gala Celebration		123,000
	Blue Room/Jazz Series		30,000
	Jazz Folk Sound Program		5,000
	Kwanza Celebration		10,000
	Martin Luther King, Jr. Celebration		5,000
Elder Statesman of Kansas City Jazz	Outreach to Neighborhoods and Community Organizations	15,000	24,334
Ethnic Enrichment Commission	4-H Reaching Out From The Heartland: Globally & Culturally	2,500	3,500
	Annual Ethnic Enrichment Festival	5,000	15,000
	Mike Murphy's Cattle Drive	8,000	5,500
Film Fest Missouri, Inc.	Film Fest Missouri	9,000	10,000
Flyers Track Club, Inc.	1997 Kansas City Memorial Day Classic	3,000	
	KC Memorial Day Track Meet & AAU State Meet		10,000
Friends of Chamber Music	Tydings True	27,400	
	The Christmas Story		7,000
Friends of Lakeside Nature Center	Magic Woods	4,029	7,275
	New Lakeside Nature Center Opening Events		12,000

¹⁸ Funding authorized, but contracts for all events not executed.

Follow-Up Audit: Neighborhood Tourist Development Fund

Organization	Event	FY98 Funding	FY99 Funding
Genesis School, Inc.	Kansas City Youth Tourism Guides	15,000	
	Youth Tour Guides		12,000
Greater Kansas City Attractions Association	National Tourism Week Celebration		33,000
Greater Kansas City Golden Gloves Association	63rd Regional Golden Gloves Tournament		12,000
	64th Regional Golden Gloves Tournament		10,500
Greater Kansas City National Hispanic Heritage Committee, Inc.	Fiesta Hispana	17,000	21,000
Greater Kansas City Sports Commission	Mayor's Urban Symposium and Tournament	25,000	
	NCAA Women's Final Four Mural	15,000	
	U.S. Open National Volleyball Championship 1997	5,000	
	Metro Girls Clinic of Champions		15,000
Guadalupe Center, Inc.	Annual Blanca Y Negro Awards Gala	3,500	
	Annual Latino Men's Basketball Tournament	2,500	
	Cinco De Mayo Events	10,000	
	Latino Events		12,250
Heart of America Shakespeare Festival	Heart of America Shakespeare Festival	25,000	34,000
Hilltop Saddle Club, Inc.	Annual Black Open Rodeo	10,000	10,000
Hispanic Chamber of Commerce of Greater Kansas City	Global Connection '97	5,000	
	United States Hispanic Chamber of Commerce National Convention		5,000
Hispanic Economic Development Corporation of Greater Kansas City	Mercado Day '97	5,000	
Historic Kansas City Foundation	Annual Historic Homes Tour	3,000	4,130
Historic Northeast Cultural Arts Commission	Culture Without Borders	4,000	4,500
	Free Concert Series	3,000	1,500
Historical Society of New Santa Fe	Wayside Exhibit: Wagon and Oxen	7,733	
	Wayside Exhibit: Watts/Fitzhugh Mill	2,000	
Hyde Park Neighborhood Association	Historic Hyde Park Festival	11,550	24,000
Italo-American Cultural Foundation	Carnival in Venice	2,000	1,000
	Concert in the Park Series	3,500	1,500
	Opera Outreach	1,000	
Kansas City Artists Coalition	Regional Art Exhibition, "The Forum" and "Kansas City Artists Directory"	9,000	
	River Market Regional Exhibition		2,500
Kansas City Blues and Jazz Festival	Kansas City Blues & Jazz Festival	21,000	20,000
Kansas City Boys' Choir	1st Annual National Boys' Choir Convention	15,500	
Kansas City Chapter of Young Audiences, Inc.	Family Arts Fair at City Market	15,000	7,000
Kansas City Clay Guild	Kansas City Clay Guild Holiday Show and Tour		2,500
Kansas City Friends of Alvin Ailey, Inc.	1997 Residency of Alvin Ailey Repertory Ensemble	25,000	
Kansas City Harmony	Harmony Choral Celebration Concert	9,950	
	Harmony Community Forums	10,000	
Kansas City Jazz International	Annual Kansas City International Jazz Festival	15,000	18,000
Kansas City Keys Community Council	AAU Basketball Invitational Tournament		15,000
Kansas City Museum Association	Magnetic Attractions at the Kansas City Museum	23,000	
	Town of Kansas	60,000	
	Light and Magic - Summer Adventure at The Kansas City Museum		20,000
Kansas City Northern Miniature Railroad	KC Northern Operating Season	6,850	6,850
Kansas City Ragtime Revelry, Inc.	5th Annual Ragtime and Vintage Jazz Celebration	9,000	
Kansas City Spirit, Inc.	Kansas City Spirit Festival	10,000	10,000
	River Valley Festival	1,000	

Organization	Event	FY98 Funding	FY99 Funding
Kansas City St. Patrick's Day Parade Committee	St. Patrick's Day Parade 1997	8,000	
	St. Patrick's Day Parade 1998	11,368	
	St. Patrick's Day Parade 1999		15,000
Kansas City Symphony	Balloon Fest		13,500
Kansas City Trolley Corporation	Outreach '98		6,000
KC Clay Guild	Holiday Show and Tour	5,000	
KC Metropolitan Tennis Association	USTA Men's Masters Tennis Tournament		2,900
La Strada dell'Arte, Inc.	Kansas City Street Painting Festival		20,000
Love and Hope Church of Jesus Christ	Martin Luther King, Jr. Commemorative Event	10,000	
Lyric Opera of Kansas City	Coyote Tales	12,500	
Martin City Business and Community Association	St. Patrick's Parade	8,200	
	Martin City Fall Festival		10,200
MCC Foundation-Alumni Association Metropolitan Community College	Great American Book Festival	24,000	9,000
Mid-Continent Council of Girl Scouts	Take Our Daughters to Work 1998 "Write Your Own Ticket" Luncheon	2,250	
Midtown Community Development Corporation	Brush Creek Corridor - East Meets West	20,000	
Missouri Community Development Society	30th Annual Meeting of Community Development Society		6,000
Missouri Repertory Theatre, Inc.	A Christmas Carol	21,000	19,000
Monnett Battle of Westport Fund, Inc.	Battle of Westport Historical Markers	15,525	
Motel & Hotel Association of Greater Kansas City	PCMA Annual Convention	50,000	
Native American Health/Aids Coalition	Prairie Winds All Nation Pow Wow		9,900
Negro Leagues Baseball Museum	Negro Leagues Baseball Museum Tourism Promotion		20,000
	NLBM Tourism Promotion Program and Grand Opening Ceremony	22,500	
Niles Home for Children	Night on the Nile '98	27,696	
Northeast Kansas City Chamber of Commerce	Historic Northeast Fall Festival	20,000	10,000
Northland Neighborhoods, Inc.	Northland Safety Fairs/Bike Rodeos		5,090
Northland symphony Orchestra Association	Free Concerts	7,000	
Old Hyde Park Historic District, Inc.	Neighborhood Identification and Celebration Banners Project	6,000	
Old Northeast, Inc.	Halloween in Historic Northeast	10,000	14,500
	Scarrit Renaissance Homes Tour	7,000	5,000
	Tour of Kansas City Bicycle Race		5,100
Palestine Neighborhood Development Corporation	Children's Art Sponsorship Program	17,000	
Pendleton Heights Neighborhood Association	Historic Homes Tour 1997	7,000	
	J.J. Heim Memorial October Festival		7,500
	Spring Fling Kite Festival	7,810	5,500
Penn Valley Park Fitness Trail Association	Run for Liberty	7,000	
Performing Arts Foundation	Folly Theater Jazz Series	10,000	
Pride Productions, Inc.	Pride Fest '98	9,000	
Reel Images Film and Video Group	Reel Images Filmmaker's Project	13,000	
River Market Business Association	Heritage Hikes/River Market Kiosks		20,250
Save a Connie, Inc.	Save a Connie Museum and Exhibit		9,000
Scarrit Renaissance Neighborhood Association	1999 Scarrit Renaissance Neighborhood Calendar		4,500
SCLC Foundation. for Human Development & Black Achievement	Martin Luther King, Jr. Celebration	25,000	
Seton Center Family & Health Services	Seton Safari	17,500	10,000
Shoal Creek Association	Awareness Campaign	10,000	
	Visit From St. Nicholas	5,000	
	Beautification & Historical Landscaping Project		15,000
	Fall Pumpkin Fest		7,000
	Moving of building		26,000
Sister City Association of Kansas City, Missouri	Sister City Services Expansion	15,000	
South Suburban Junior Baseball Tournaments	Baseball Tournaments	20,000	18,000

Follow-Up Audit: Neighborhood Tourist Development Fund

Organization	Event	FY98 Funding	FY99 Funding
State Ballet of Missouri	"Balletomania"	9,000	5,000
	The Nutcracker	7,423	11,000
Three Trails West, Inc.	Schumacher Park/Minor Park Santa Fe Trail	31,754	
	National Historic Santa Fe Trail		24,964
Troost Midtown Community Center	Soul Food Sampler	8,000	
Twin City Riders	Grand Opening Event - Jerry Smith Farm		15,000
	Twin City Invitational Rodeo	10,000	10,500
UMMA	"Exposure & Knowledge: Your Key to Success"		7,000
Unico National - South Kansas City Chapter	Italian American Festival		12,500
Unicorn Theatre	Marketing 1997/98 and 1998/99 Seasons	50,000	
Union Cemetery Historical Society	Kansas City Memorial Trail	9,500	
Union Hill Neighborhood Association	Tourist Involvement Campaign	5,500	9,850
United Minority Media Association, Inc.	Preparing Media For The Millennium	10,000	
Urban League of Greater Kansas City	Annual GKC Night Out Conference	8,000	8,800
Visible Horizons, Inc.	American Indian Celebration Event	5,000	
Westport Merchants' Association	Westport Advertising Campaign	9,000	
Westside Business Association	SW Boulevard Cinch de Mayo Festival	10,000	
Whatsoever Community Center	3rd Annual International Latino Expo	13,800	
Organizations Receiving Funding		86	74
Projects Receiving Funding		107	94
Funding Amount		\$1,394,938	\$1,198,578

Source: NTDF contract files.

Appendix D

Summary of NTDF Contract Files Reviewed

Appendix D: Summary of Fourteen Contracts Files Reviewed

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Contract signed within 120 days of the effective date of the ordinance	Yes	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Contract signed before event occurs	No	No	Yes	No	No	No	No	No	Yes	No	Yes	No	No	Yes
\$1 million insurance requirement enforced with documentation supplied prior to the event	Yes	No	Yes	No	No	No	No	No	Yes	No	No	No	No	No
Proper board resolution authorizing contract supplied	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No
90-Day financial compilation report supplied within deadline & complete	No	No	No	No	No	No	No	No	Yes	No	No	No	No	No
90-Day narrative report supplied within deadline	No	Yes	Yes	Yes	No	No	No	Yes	Yes	No	No	No	No	Yes
3rd party contracts in file to support reimbursement of contract expenses or copies of paid invoices	N/A	Yes	No	N/A	No	Yes	N/A	N/A	No	Yes	Yes	Yes	Yes	N/A
Reimbursement documentation includes both sides of cancelled checks or vendor certified paid invoices.	No	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes
Submissions clearly identify which expenses are being submitted for reimbursement & were reimbursed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Requested reimbursement stayed within the submitted line-item budgeted categories	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Entire contract amount reimbursed	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Appropriate documentation showing payment of state, federal & city taxes if paid employees or a letter stating no paid employees.	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	No	Yes	Yes
Agency complied with previous NTDF contract requirements to be eligible for current contract	No	*N/A	No	No	No	**X	No	*N/A	No	**X	No	No	*N/A	No

*N/A No prior NTDF contract.

** X Prior NTDF file could not be located for review.

Appendix E

City Manager's Response



Office of the City Manager

RECEIVED
MAR 3 1999
CITY AUDITOR'S

DATE: March 2, 1999

TO: Mark Funkhouser, City Auditor

FROM: Robert L. Collins, City Manager

SUBJECT: Response to Draft Audit Report of the Neighborhood Tourist Development Fund

The first two recommendations were directed to the City Manager.

As is pointed out in the draft audit report, staff have already begun procedural changes intended to increase fairness and to ensure requirements are applied equally. The report confirms they are making progress in the right direction. In short, if we are going to revise the program, it is timely to have a thorough examination to help guide the effort.

Recommendation 1. The City Manager should prepare for Council consideration an ordinance amending Section 2-931 (2) (c) of the City's Code to establish a single citywide NTDF account.

Agree. A consolidation of funds for seven accounts to one will streamline administration and lead to more efficient operations.

Recommendation 2. The City Manager should prepare for Council consideration an ordinance establishing a single application and approval process that will be used by all NTDF applicants.

Agree. The ordinance prepared for the first recommendation will be written to address this issue.

Also, the events being considered for NTDF funding need advance planning. A process that encourages organizations to perform advance planning actually helps them plan a successful event. Mistakes due to poor planning are more likely if we allow an organization to take short cuts and receive funding at the last minute.

Again, I agree with the recommendations and will direct staff to obtain suggestions from NTDF committee members, past fund recipients, and others involved and prepare a draft ordinance to implement the recommendations. If Council agrees with this recommendation an ordinance will be submitted for council consideration within 60 days.


Robert L. Collins

RLC:emm

F:\EM\CityMgr\NTDF AuditRsp

Appendix F

Neighborhood and Community Services Director's Response



INTER-DEPARTMENTAL COMMUNICATION

RECEIVED
MAR 3 1999
CITY AUDITORS
OFFICE

DATE: March 3, 1999

TO: Mark Funkhouser, City Auditor

FROM: Robert J. Mohart, Director, Neighborhood and Community Services *RA*

SUBJECT: Response to Audit

This is my initial response to the recommendations contained in the Draft Report on the Neighborhood Tourist Development Fund. I will first address some of the major issues contained in the audit report.

The audit findings reported several weaknesses in contract monitoring and management over the last few years. In fairness to program staff, many of the shortcomings are the result of insufficient resources. There was substantial shifting and realignment of personnel during this time frame. Programs and personnel were shifted within departments, between departments, and across investment groups. This led to less staff working on NTDF contract monitoring and management, which suffered as a result. In short, staff did pretty well given what they had to work with.

The audit calls for more stringent monitoring of agency performance with contract and ordinance provisions. There continues to be an interest in balancing the need for avoiding fraudulent use of funds, and poor use of funds, against the interest in working with organizationally unsophisticated organizations and relatively small contract amounts. We have to ensure we do not kill the program by smothering agencies in red tape or through unyielding demands for rigid compliance with bureaucratic rules. There is a middle ground that we are striving to find.

New management assigned to the program has made improvement in contract management, and purposely avoided an overnight proclamation that all rules will be followed to the letter. Rigid enforcement may be perceived as changing the rules midstream, or in some cases, after the fact. Our goal is to still ensure there is no fraud or misuse of funds, but still be flexible where possible in the interest of fairness to the agencies involved.

The audit questioned the nature of some of the projects approved for funding. One idea to address this that staff thought of, is to propose that funds only be used to pay for promotion and marketing expenses. In other words, NTDF would not pay for event expenses, but will pay for expenses to promote and advertise the event. Under this scenario, reimbursable expenses are limited to items like radio and television airtime, newspaper advertising, and printed material that promote the event. This addresses concerns mentioned in the audit report and more closely agrees with language found in the enabling state legislation. However, that may not be palatable to many of the agencies with which we work. As you know, they regularly use our funds for security, entertainers, postage, and other event expenses.

Response to Audit, pg 2.

I will now comment on each recommendation of the audit report.

Recommendation 1.

Directed to the city manager.

Recommendation 2.

Directed to the city manager.

Recommendation 3.

Agree. We are gathering comments and input from NTDF committee members, fund recipients, and others. The goal is to prepare an ordinance revision for council consideration that will remove ambiguity, clarify requirements and provide for consistent application of rules.

Recommendation 4.

Agree. A new boilerplate contract for funding nonmunicipal agencies, drafted in response to Red Flag Commission recommendations, has been received. We anticipate using this contract language for FY00 contracts.

Recommendation 5.

Agree. We are currently studying all contract management needs within Neighborhood and Community Services and determining how much can be satisfied through streamlining and increased use of technology. This effort will determine the staffing and other resources needed to improve contract management. Tentative findings, however, indicate one staff person (accountant/auditor) needs to be added to increase the amount of field auditing performed.

In summary, I agree with the findings and recommendations contained within the audit report. It reaffirms for me that we are proceeding in the right direction with modifications in the administration of the program. Please let me know if you have any questions.

cc: Robert Collins